

## Message Text

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PAGE 01 WELLIN 00818 300224 Z

14

ACTION EA-14

INFO OCT-01 EUR-25 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-14 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 SAL-01 TAR-02 L-03 H-02 PA-03 USIA-12 PRS-01

AGR-20 RSR-01 /192 W

----- 059510

R 300100 Z MAR 73

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 6478

INFO AMEMBASSY CANBERRA

AMCONSUL HONG KONG

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

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E. O. 11652: N/A

TAGS: ETRD, NZ

SUBJECT: TRADE: REMARKS BY MINISTERS OF FINANCE AND TRADE AND  
INDUSTRY

1. BEGIN UNCLASSIFIED. BEGIN SUMMARY. MINISTER OF  
FINANCE ROWLING STATED MARCH 27 THAT PREVIOUS LABOUR  
GOVERNMENTS HAVE BEEN OVERPROTECTIVE OF LOCAL INDUSTRIES.  
THE KIRK GOVERNMENT WILL NOT ONLY BE MORE SELECTIVE IN ITS  
PROTECTION BUT WILL NOT PROP UP MARGINAL AND SUBMARGINAL  
INDUSTRIES. AT THE SAME TIME THEY WILL MOVE TO LOWER TARIFFS  
AND PROVIDE PROTECTION THROUGH QUANTITATIVE RESTRICTIONS  
ON COMPETING IMPORTS. REGARDING CHINA AND JAPAN, ROWLING  
SAID NEW ZEALAND RECOGNIZED THAT IN LONG TERM CHINA IS  
POTENTIAL MARKET. THERE IS GROWING MUTUAL INTEREST IN  
TRADE BETWEEN JAPAN AND NEW ZEALAND, BUT A FEELING OF  
CAUTION ON PART OF GNZ NOT TO HAVE TRADE AND FINANCE  
DOMINATED BY JAPANESE. END SUMMARY.

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PAGE 02 WELLIN 00818 300224 Z

2. DURING A QUESTION AND ANSWER SESSION ON MARCH 27 WITH MEMBERS OF THE VISITING US YOUNG PRESIDENT' S ORGANIZATION, MINISTER OF FINANCE ROWLING IN RESPONSE TO QUESTION OF HOW NEW ZEALAND CAN JUSTIFY ITS HIGH TARIFFS RESPONDED AS FOLLOWS: QUOTE COULD I MAKE THE OBSERVATION THAT THE COUNTRY IN NOW GOVERNED BY A PARTY WHICH IS NOT TOO ENAMORED WITH THE IDEA OF A TARIFF CONTROL AS BARRIER TO GOODS ENTERING THE COUNTRY. WE FEEL THAT, BY AND LARGE, THIS TENDS TO HAVE AN ADVERSE EFFECT ON THE COST STRUCTURE IN THE COUNTRY. IN ANY EVENT, WE ARE RATHER MORE IN FAVOR OF SOME KIND OF QUANTITATIVE CONTROL; AND WHILE WE REALIZE THAT THIS IS NOT ROUNDLY APPLAUDED INTERNATIONALLY, IT DOES ALLOW US TO RESTRICT THE CONTROL TO AREAS WHERE WE ARE AFRAID OF DUMPING TACTICS, AND THEY' VE BEEN USED AGAINST US BY MANY COUNTRIES, OR WHERE THE PRODUCT IS SWEAT LABOR COMING IN AGAINST OUR OWN INDUSTRY. IT WILL ALLOW US THE FREEDOM OF MOVEMENT TO ALLOW THE GOODS INTO THE COUNTRY THAT WE VERY MUCH NEED. IT IS OUR VIEW AS THE NEW GOVERNMENT, HE CONTINUED, THAT OUR PREOCCUPATION IN THE FUTURE SHOULD BE WITH DOING THOSE THINGS THAT WE DO WELL AND NOT TRYING TO SUSTAIN INDUSTRIES IN AREAS WHERE THEY ARE NOT EFFECTIVELY COMPETITIVE. END QUOTE.

3. ELABORATING FURTHER, ROWLING SAID THAT THE PREFERENCE OF THE PRESENT ADMINISTRATION IS FOR THE GREATEST DEGREE OF SPECIALIZATION WHERE NEW ZEALAND HAS EITHER THE NATURAL RESOURCES OR THE SKILLS. ROWLING SAID THAT THE PREVIOUS LABOR GOVERNMENT REALLY MADE THE FIRST SIGNIFICANT MOVES IN INDUSTRIALIZATION AND RATHER TOOK THE VIEW THAT ANY INDUSTRY WAS GOOD INDUSTRY. QUITE FRANKLY, HE SAID, IN LOOKING BACK ON IT, SOME OF THIS WAS JUST A LITTLE BIT DISASTROUS AND PERHAPS SOME OF THE TARIFF PROTECTION AND SOME OF THE IMPORT CONTROL THAT HAS EMERGED IN THE COUNTRY WAS AN EFFORT TO SUSTAIN INDUSTRIES THAT REALLY AREN' T FITTED TO RESOURCES, EITHER PHYSICAL OR HUMAN, THAT ARE FOUND IN THE COUNTRY.

4. IN RESPONSE TO A QUESTION ON NEW ZEALAND' S FUTURE RELATIONSHIP WITH JAPAN, ROWLING SAID THAT HE SEES SOME PRETTY HARD BARGAINING OVER THE NEXT FEW YEARS. BRITAIN' S ENTRY INTO THE EEC IS LIKELY TO BRING ABOUT SIGNIFICANT LIMITED OFFICIAL USE

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PAGE 03 WELLIN 00818 300224 Z

CHANGES AS FAR AS NEW ZEALAND' S MARKETING IS CONCERNED.

WE HAVE TRADITIONALLY LOOKED TO WESTEUROPE TO ABSORB THE GREATER PART OF OUR PRIMARY PRODUCTS IN THE PAST AND, UNDOUBTEDLY, WESTERN EUROPE WILL STILL BE VERY IMPORTANT TO US, HE SAID, BUT WE ARE NOW CONFRONTED WITH A NEW RANGE OF BARRIERS, WITH THE COMMON EXTERNAL TARIFF OF THE COMMON MARKET THAT WE PREVIOUSLY DID NOT HAVE TO CONTEND WITH AS FAR AS THE MARKET OF GREAT BRITAIN WAS CONCERNED. THIS IN TURN MEANS THAT WE ARE CONSIDERING EXACTLY WHEN AND HOW TO PHASE OUT THE PARTICULAR PREFERENCES THAT HAVE BEEN AVAILABLE TO BRITAIN IN TERMS OF ACCESS TO THE NEW ZEALAND MARKET, TO THE DETRIMENT OF THE AMERICANS, THE JAPANESE, AND ANYONE ELSE WHO MIGHT BE COMPETING IN MANY FIELDS. SO WHAT THE JAPANESE, AMONG OTHERS, ARE LOOKING AT AT THE MOMENT ARE THEIR PROSPECTS OF COMING IN ON THE NEW ZEALAND SCENE WITH THEIR PRODUCTS. IN RETURN, OF COURSE, NEW ZEALAND IS LOOKING VERY CLOSELY AT JAPAN AS AN EXPANDING MARKET WITH A VERY CHANGING PATTERN OF TASTES, PARTICULARLY IN TERMS OF THEIR ABILITY TO ABSORB CHEAP MEATS AND DAIRY PRODUCTS.

5. CONCERNING JAPANESE EFFORTS IN FINANCE, MR ROWLING SAID THE JAPANESE ARE MAKING VERY STRONG OVERTURES AT THE MOMENT TO MOVE INTO THE FINANCIAL FIELD OF NEW ZEALAND. THESE EFFORTS ARE GENERALLY NOT BEING ACCEPTED BECAUSE OF NEW ZEALAND'S CURRENT STRONG POSITION IN TERMS OF RESERVES. MR ROWLING SAID THAT QUITE FRANKLY THE CORRIDOR OUTSIDE HIS OFFICE ON MANY OCCASIONS IN THE LAST FEW WEEKS COULD EASILY BE MISTAKEN FOR A SIDE STREET IN TOKYO. RESPONDING TO THE QUESTION OF HOW HE REGARDS JAPAN IN TERMS OF CAPITAL INVESTMENT IN NEW ZEALAND, ROWLING SAID " I THINK THE SHORT ANSWER TO THAT IS " WITH CAUTION". END UNCLASSIFIED.

3. BEGIN LIMITED OFFICIAL USE. ON MARCH 28 I CALLED ON MINISTER OF TRADE AND INDUSTRY FREER WHO OUTRANKS ROWLING IN CABINET AND IS PROBABLY PRIME MINISTER'S CLOSEST ECONOMIC ADVISER. HE CONFIRMED ROWLING'S REMARKS AND ADDED THAT HE HAD ALREADY TALKED TO EXECUTIVES OF TWO OR THREE RELATIVELY UNPRODUCTIVE INDUSTRIES ( UNNAMES) AND TOLD THEM THAT IF THEY DID NOT IMPROVE PRODUCTIVITY IN SIX MONTHS GNZ WOULD LICENSE IMPORTS OF THEIR PRODUCTS  
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PAGE 04 WELLIN 00818 300224 Z

FROM OVERSEAS. HE AND HIS STAFF HAVE STUDIED LAWS OF NETHERLANDS' GOVERNMENT WHICH, HE SAID, LIMITED PROTECTION TO EFFECTIVE AND PRODUCTIVE INDUSTRIES ( BASED ON THEIR ANNUAL EARNINGS) MAKING BEST USE OF DUTCH LABOR AND CAPITAL. END LIMITED OFFICIAL USE . DECON 9/31/75.

WOOD

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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